POLICY RECOMMENDATIONS

The global competitiveness of Europe needs to be addressed by policymakers, social partners and society at large. This will require a cultural mind-shift, a greater awareness of the global competition Europe is facing and a renewed commitment to increasing efficiency, adaptability and innovation.

In addition to raising the awareness of the urgent need to respond to global competition, getting the commitment from all parties to work in new ways, and increasing entrepreneurship, there is a clear case for action on European labour market reforms.

Bold and swift actions from European and national policymakers as well as social partners are needed in order to increase labour market efficiency and thereby stimulate economic growth and maintain manufacturing jobs in Europe.

ERT welcomes the EU Flagship Initiative for “An agenda for new skills and jobs” with a focus on increasing European competitiveness, economic growth and employment. Confronted with rapid, global economic and technological changes, European labour productivity must increase, companies need to be able to adapt their workforce, and European citizens must continue to develop the talent and skills to respond to the changes.

INCREASE LABOUR MARKET FLEXIBILITY

The European Union should promote, and the Member States should adapt, policies which increase the internal and external workforce flexibility for companies. Social partners should support the adoption of these policies and work together with companies to anticipate and respond to workforce flexibility measures when the economic situation demands it.

During temporary downturns, internal flexibility measures such as reduced working hours and additional training support have proven to be effective as qualified staff and critical know-how are maintained in companies. This requires the active support from the workforce, social partners and public employment agencies, which can partially fund wage decreases and assist with providing additional training opportunities.

Modernisation of employment protection legislation is required in the Member States. National policymakers must make it possible for companies to swiftly adapt their workforce to changing market realities and respond to structural changes in the industries. Businesses need to be able to adopt enforced redundancies, notice periods need to be shortened and redundancy payments should be minimized. In situations where businesses are forced to issues redundancies, best practice examples show that companies can help their employees to transition into a new employment opportunity (see company examples of Nokia and Shell below) and find innovative ways to support change. A re-balancing is required between unemployment benefits, transition support, redundancy payments, and notice periods.

It should be the responsibility of the national governments to provide adequate unemployment benefits. Companies should not be forced to compensate former employees for their income loss through excessively high redundancy payments.

Implementing such policy recommendations would provide several advantages. When companies are less hesitant to hire new employees due to greater flexibility, more permanent jobs will be created. Individuals would spend less time transitioning between jobs and there would be a corresponding increase in payments to the social security system which is good for both individual and for public finances. At the same time, companies can maintain their competitiveness as the increased flexibility allows them to adapt their workforce according to market circumstances.

Example of responsible corporate restructuring: Nokia

Due to increasing cost-efficiency pressures and the need to adapt operations to the market situation, Nokia was forced to close its Research and Development operation in Jyväskylä, Finland in 2009, which affected approximately 320 employees. The majority of employees at Nokia Jyväskylä worked for devices product development, but the site also had some marketing activities and global support functions.

While Nokia is a global company, transitions like the one in Jyväskylä always mean local changes and their impact is mostly felt locally. Nokia recognises that the business ecosystem consists of all of the “organisms” in a particular area and partnered with employees, partner companies, governments and other related stakeholders. Different working groups were established, including representatives from all of the stakeholders, with the task to create a new operating model for local structural changes leading to the creation of new business models and solutions. To support this, education programs and other related solutions were developed.

The Finnish government supported the creation of a general model for dealing with structural changes. The new model has three main focus areas:

• New businesses and new companies
• Competence enhancement and new employment opportunities for the highly-skilled/educated workforce
• The renewal of the local economic structure

As a result of this initiative, 450 new jobs were created in the ICT sector in the Jyväskylä area between 2009-2010. Together with all the partners, Nokia was able to support 75% of its employees in finding job opportunities with other employers or founding their own business. Others were helped through training and further education.

Example of internal flexibility: STMicroelectronics

The global downturn in 2008-2009 meant significantly lower worldwide demand for semiconductors. This left STMicroelectronics (ST) with an excess of manpower, especially in Singapore, a major manufacturing base for the company. Instead of reducing the size of its workforce, ST chose to use the newly available ‘resilience packages’ from the Singapore government, including the ‘Skills Program for Upgrading and Resilience’. This training scheme is applicable to Singaporeans and permanent residents employed in Singapore. A significant number of employees were trained, improving key skills and thus enabling them to be even more productive when they returned to work on the production line. The Government covered 90% of training costs, in addition to funding on average approximately 65% of employee salary. In May 2009, a sharp market turnaround required ST to aggressively ramp-up output which was more easily achieved as it had retained experienced people. This is crucial in an industry where it can take a worker an entire year to become fully productive. While not immediately quantifiable, ST is convinced that the company has benefited from increased employee morale thanks to this program aimed at workforce retention and training.
Lifelong learning needs to become a common culture and mindset across all Member States to leverage Europe’s most precious resource – its people. Only through a solid educational foundation, leading academic research, and a strong emphasis on lifelong learning can Europe continuously improve its innovation capacity and productivity.

In order to support the lifelong learning agenda in Europe, it is helpful to think about the entire process from having the right quality and quantity of skills entering into the labour market to maintaining employability by regularly updating skills or by changing to a new field with better job opportunities.

Example of learning and employee development: Royal Dutch Shell

When Royal Dutch Shell focused on becoming a stronger learning organisation, it looked at how to foster a culture of continuous people development in the organisation. The following systemic and cultural elements were focused on to provide the end-to-end learning approach.

- **Insight** – Do people know what to develop? What systems are in place to help people determine this? Do people talk openly about expectations and work performance? Solutions are job descriptions, competence profiles, encouraging 360-degree feedback and engagement with employees on the business goals.
- **Motivation** – Are people willing to invest the time and energy it takes to develop themselves? Are they being encouraged? A solution is to resource people who have 2/3 of the skills required for a job so that they are encouraged to develop the remaining 1/3 on the job.
- **Skill building** – Do people know how to build their skills? Do people explore new ideas and consider other ways of doing things?
- **Practice** – Do people have opportunities to try out their newly acquired skills? Do they experiment? Participating in projects and networking are good development opportunities for people.
- **Accountability** – Are people being held accountable for their development? Do they actually improve their performance as a result? A solution from Shell is that development goals are discussed at the same time as the business goals and are equally taken into account in the yearly performance appraisal.

ERT strongly recommends Member States to strengthen the basic school education with regard to Maths, Science and Technology (MST) and training in entrepreneurship. ERT has continuously called for the development of skills and competences in Mathematics, Science and Technology (MST) throughout all levels of the educational system. Cooperation between schools and businesses should also be encouraged both at the national and regional level to stimulate and broaden students’ interest in career opportunities in MST and introduce entrepreneurial thinking. Funding for cross-member state projects and best practice sharing between Member States should be provided by the EU.

European Universities need to achieve rankings among the world’s top universities, and excellent international researchers and students should be attracted to stay in and come to Europe. The attraction of leading foreign academics should also be strengthened through the increased sponsoring of post-doctorates, fellowships, and visiting chair positions. ERT supports the study and research mobility programs of the European Unions, such as Erasmus, Erasmus Mundus and Marie Curie and welcomes the development of a European Industrial Doctorate to further the competitiveness of European higher education. A strengthened international reputation of European universities would also attract business participation in significant European research and innovation programs and help to attract venture capital.

ERT welcomes the effort of the European Union to develop a global and multi-dimensional university ranking. This provides students, researchers and companies with good insight into the quality of European higher education and its global competitiveness. Although the ranking is multi-dimensional and includes criteria such as quality of education and research, innovation, and community outreach, a stronger emphasis should be put on graduates’ employability and skill development for the European labour market.

The adult learning rate needs to be increased in Europe. The opportunity to continue lifelong learning through higher education, adult education or vocational training should be provided to all potential labour market participants. Member States should ensure the adaptation of the education system to provide high-quality, adult learning relevant to the labour market and support flexible forms of learning to make the combination of work and learning easier. Companies also need to provide their employees with the flexibility to work and to pursue continued learning.

The active support of Member State governments for training programs can avoid layoffs and allows employees to improve their skills in times of economic crisis. The company example of STMicroelectronics illustrates this point with a best practice case. In times of structural shifts in industry and the labour markets, certain skill sets may

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1 The approach is based on an established model from Personnel Decisions International (PDI).
Entrepreneurial bootcamp: Alcatel-Lucent

In December 2006, Alcatel-Lucent launched a pilot program called College@work which welcomes and hosts classes of 16-year-olds and their teachers in the company for a week. They undertake an extensive initiation program to discover the company environment, receive concrete presentations of all the major businesses and associated jobs, and they provide collective feedback through different activities such as writing articles and feeding a dedicated social network. It has been a tremendous success considering the interest, commitment and behaviours demonstrated by the students. As a result, this highly replicable and efficient program will take place in all Alcatel-Lucent French sites in 2011, reaching several hundred students.

Example of apprenticeship programmes: Deutsche Telekom

Deutsche Telekom has launched initiatives that help employees and external jobseekers to develop themselves and reach their full potential. In the Netherlands, Philips has for many years played a pioneering role with its national Vocational Qualification Program (CV) and the Philips Employment Scheme (WGP).

The CV project has been running since 2004, and targets Philips employees who know their trade well but do not have a diploma to prove it. That makes them vulnerable in today’s volatile labour market where a job for life is a thing of the past. CV provides a solution by awarding these people a recognized qualification. To date, more than 70% of the participants have found paid work within one year of completing the WGP program. Moreover, a recent doctoral research project carried out by the University of Maastricht has revealed that it became obsolete and new skills will be required. In these situations government intervention is needed so that workers can be re-skilled according to the structural changes in the labour market, thereby avoiding long-term unemployment.

The EU needs to ensure the creation of common standards for the accreditation of formal education, vocational training and on the job learning. Such standards are the key to ensuring the transferability and recognition of acquired skills and competencies across companies and Member States. It will help individuals to market their employability, and it will help companies to choose the right candidates for the jobs available.

ERT welcomes the European Qualifications Framework, which aims to make national qualifications transferable across Europe. The framework should, however, be made simpler, more user-friendly and an even stronger emphasis should be put on learning outcomes.

The apprenticeship system applied in Germany, which combines on the job learning with vocational training, should be advocated as a best practice to adopt throughout the EU.

National policymakers are encouraged to widen the definition of company training to include e-learning, which is increasingly appreciated by employees due to its flexibility in balancing work/life and on-the-job learning time.

European and national policymakers could also assist with setting up industry/branch-wide training funds in order to share training costs amongst companies including SMEs.

Example of vocational training & training of vulnerable jobseekers: Philips

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Labour market mobility is essential for sustainable economic growth and the global competitiveness of Europe, and it will be increasingly important in the future due to Europe’s changing demographics. Bureaucratic hurdles for labour mobility between European Member States and into the European Union must be significantly reduced, and positive incentives need to be given to encourage labour market mobility.

An understanding of intra- and inter-European mobility should be developed among European youth. It is therefore encouraged that the EU continues and extends its exchange programs at all levels of education. ERT supports the European mobility programs such as Erasmus, Erasmus Mundus, Marie Curie and Leonardo da Vinci as they allow individuals to gain international experiences and exposure to other cultures, in particular with important European trading partners. It also attracts qualified non-European nationals. These programs can help to establish a basis for increasing labour mobility in Europe and an increasing attractiveness of Europe as a future employment market for highly qualified, non-European nationals.

Example regarding the taxation of share plans: Siemens

It is a significant administrative burden for Siemens to correctly allocate the total payment in-kind of share allocations in the case that the employees work in several different countries during the blocking period (i.e. the period of time between granting and allocating shares). European countries apply different taxation rules (e.g. no allocation but taxation of total award gain for wage tax purposes or subsequent foreign tax credit on income tax level). Temporary double taxation scenarios are possible and are not encouraging for the employee. Ensuring tax compliance in each country where an employee has worked during the blocking period would be greatly simplified if a fixed date of taxation principle and a common method of determining the value of the payment in-kind could be agreed to at the European level. Full taxation should take place in the country where the employee resides when the shares are allocated at the end of blocking period when the value of the benefit in kind can be easily determined and when employees can dispose of the shares allocated to them.

Example of entry-level training: Deutsche Telekom

In cooperation with the German Federal Employment Agency, Deutsche Telekom is helping to give disadvantaged young people solid prospects for beginning a career. In order to be eligible for a place on the year-long internship, the young person must not have found a training place in the previous year and they or their parents must receive unemployment benefits. If they are successful, they will have an excellent chance of obtaining a training place for the next year. Through this project, the company also aims to tap new talent pools for safeguarding junior staff development in the long term and to open up previously closed career systems, preparing itself for the challenges of demographic change. After all, initial qualifying training is and will remain the key to a competitive workforce in the first instance. Over the course of the four-year program, running until 2013, Deutsche Telekom will create around 260 training places for young people with difficult social backgrounds. In September 2009, 61 young people started the one-year integrative entry-level training scheme. A total of 50 of these young people seized the opportunity given to them and were taken on as permanent apprentices at Deutsche Telekom with over 80% of them seamlessly entering a second year of training.

Reducing youth unemployment

Member States should offer financial support and the European Union should leverage the European Social Fund to support company projects which aim at giving employment and training opportunities to unemployed young people. This is necessary to avoid long-lasting effects on economic growth and competitiveness of Europe and the scarcity of skilled human capital in the long run.

Statistical analysis across European countries showed a correlation between the countries rated as having a ‘low match’ between the education system and the needs of business and those with high rates of youth unemployment. Initiatives to free up the experienced workforce to coach and mentor the young employees in jobs or internships – subsidised by governments – should be encouraged.
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